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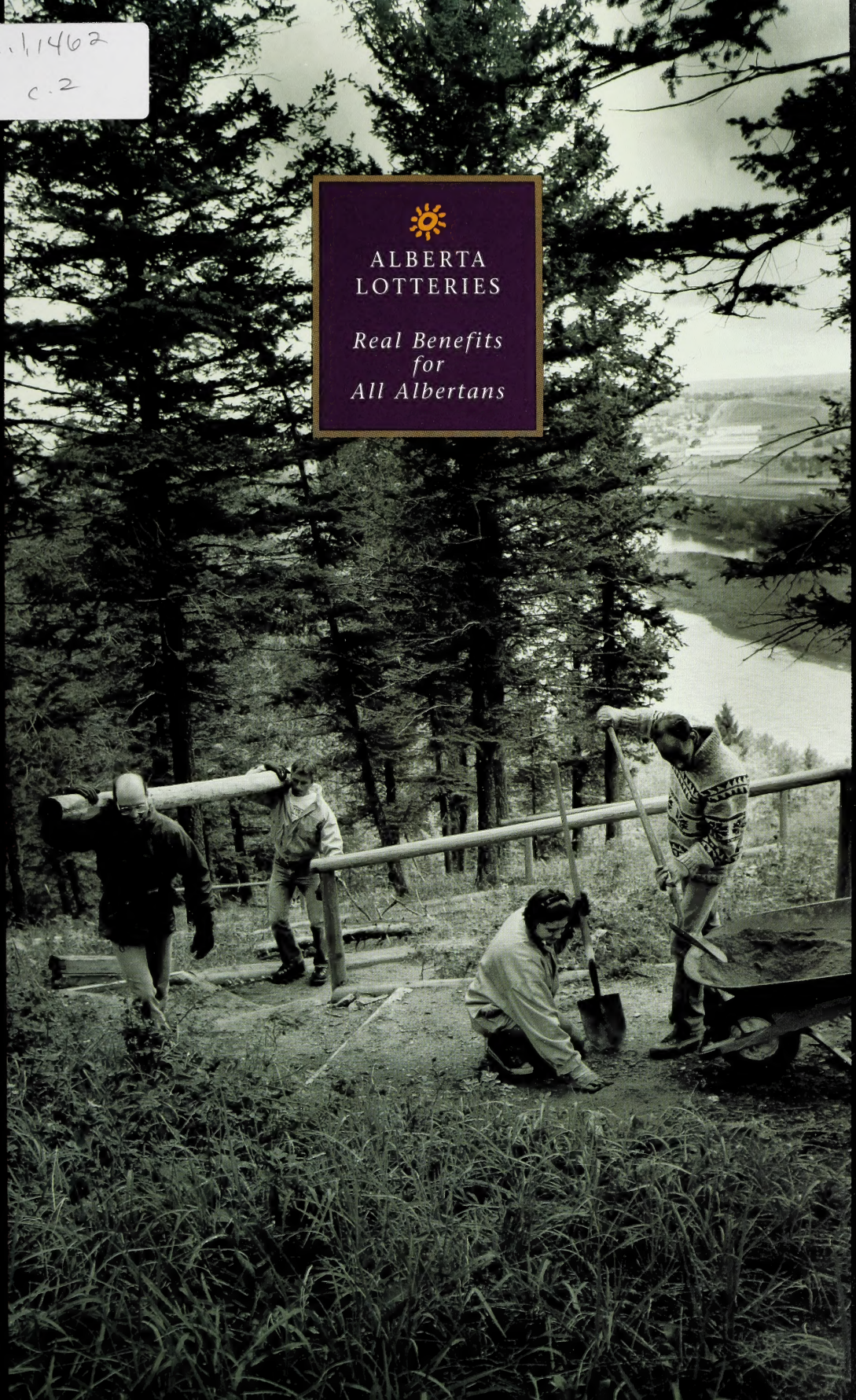
WESTERN CANADA LOTTERY ALBERTA DIVISION



ALBERTA LOTTERIES

Real Benefits for All Albertans

ANNUAL REPORT 1991-1992

Alberta Lotteries markets gaming and related products with integrity and social responsibility to maximize long-term economic returns and social benefits for all Albertans.

Board of Directors

Standing, back row, left to right: Robert Hymas, Calgary Exhibition & Stampede Limited; Lee Thompson, Calgary Exhibition & Stampede Limited; Gerry Yuen, Edmonton Northlands; George Hughes, Public; Don Jackson, Edmonton Northlands; Pat Healy, Public

Sitting, front row, left to right: Frank Johnson, Edmonton Northlands; Jack Rutherford, General Manager; Robert Prestage, Chairman, Public; Gary G. Boddez, Vice Chairman, Government of Alberta; Jack Berthelsen, Secretary-Treasurer, Calgary Exhibition & Stampede Limited

Cover:

Real Benefits for All Albertans

Volunteers use a Saturday morning to work on the Douglas Fir Trail restoration and conservation project in Edworthy Park, Calgary. A joint initiative of the Edworthy Park Heritage Society, the local community association, and the City of Calgary, the upgrading and preservation of this unique nature trail was made possible with a matching grant from the lottery-funded Community Facility Enhancement Program.

CANADIANA

SEP 23 1992

MESSAGE FROM THE MINISTER

Since my 1988 appointment as Alberta's Minister responsible for Lotteries, I have seen Alberta's lottery industry and the gaming industry worldwide enter a period of rapid change and evolution.

Early in fiscal 1991-92, the Government of Alberta responded to these changes by coordinating all gaming-related agencies, including Alberta Lotteries, and the Alberta Gaming and Racing Commissions, under one provincial cabinet minister.

This coordinated vision for Alberta's legal gaming infrastructure helped account for new growth in our lottery industry this year. The most notable new initiative was the Video Lottery Terminals (VLTs) test that began in July 1991 and led to the government's decision in March 1992 to implement a VLT program over the next three years. The VLT program will create economic benefits for Alberta businesses, including the provision of millions of dollars worth of supplies and services during the program's initial phase, and even greater benefits for Alberta in the years to come. I commend the Board of Alberta Lotteries and the staff for their dedication and hard work.

In addition, negotiations for a more equitable distribution of lottery industry spin-off benefits with our Western Canada Lottery Corporation (WCLC) partner provinces led to the relocation of the WCLC's Marketing Division from Winnipeg to Stettler in December 1991.

As always, the basis for operating lotteries in Alberta remains the provision of many public benefits through our province's excellent lottery foundations, agencies and programs. Upwards of $115 million was disbursed from the Lottery Fund this year in the form of more than 2,500 application-based grants for a wide variety of initiatives. In addition, this year $225 million in unallocated lottery revenues was transferred to the General Revenue Fund, to help supplement the province's expenditures for government programs and services.

Each of us can be proud of Alberta's dynamic lottery industry and the revenues it generates in support of community benefits – and the future looks even brighter.

Ken Kowalski
Minister

CHAIRMAN'S MESSAGE

The 1992 fiscal year has been one of growth and transition, meeting new challenges and seeking out opportunities. During this period Alberta Lotteries experienced its highest revenue level since our establishment in 1974, achieving over $332 million in sales and a net income of nearly $117 million.

Strong performance at retail by our base products; Lotto 6/49, The Plus, Sport Select and Instant Tickets, coupled with the addition of OVER/UNDER to the Sport Select mix and the launch of POGO, a regional On-Line game, continue to be the key factors in maintaining our growth.

In partnership with the Western Canada Lottery Corporation, research into new ventures led us to pursue technological developments in the gaming industry and the introduction of Video Lottery Terminals. A very successful nine month test period looked at market interest, player preferences, and public acceptance of video lotteries; placing Alberta Lotteries on the leading edge of the lottery industry.

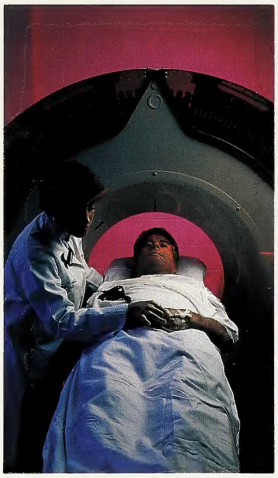
Other highlights of the year include: the expansion of our retail lottery product head office facility in Edmonton to address the challenge of new initiatives; attracting new employees that have brought a fresh perspective and expertise to the business; the continued success of the profitable retail network now totalling 1,750 retailers throughout Alberta; and the reorganization of responsibilities between the Western Canada Lottery Corporation and Alberta Lotteries that resulted in Alberta Lotteries assuming full responsibility for all distribution functions.

I congratulate the management team and staff, who have met the challenges of 1991-92 with enthusiasm and determination, for a job well done. I would also like to acknowledge the efforts of the Board of Directors for their ongoing advice and guidance as we prepare for the future, and the Honourable Ken Kowalski, Minister responsible for Lotteries and Gaming, whose support and commitment to Alberta Lotteries will help us meet the challenges of the next decade.

Robert Prestage
Chairman

The release of the $2 Instant Bingo ticket in February, 1992 proved to be a huge success, capturing the excitement of the Bingo craze and providing players with maximum playability. POGO sprang into action April 1, 1991. Players were treated to a new On-Line Western Canada regional game that offered "a whole lotta pickin" – two plays for only a dollar. Top prize guaranteed at $250,000 every draw. The addition of OVER/UNDER to the Sport Select mix provided sports enthusiasts with a new way to "Get in the Game". Consumers predict whether the outcome of a sporting event will be over or under the total point score, as set by the Western Canada Lottery Corporation odds setting team. The popularity of OVER/UNDER has far exceeded Alberta Lotteries expectations.

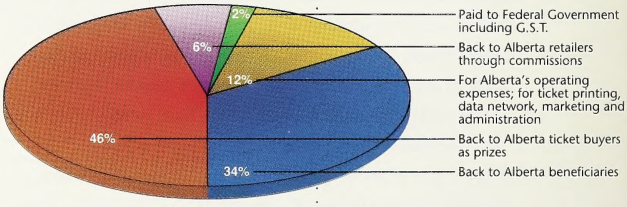
A successful nine month test of Video Lottery Terminals led to the official approval by the Government of Alberta of the video lottery program, as announced March 12, 1992. The VLT system, managed and operated by Alberta Lotteries, will place 8,600 terminals in 1,200 "Class A" licensed premises throughout Alberta, over a three year period.



$13,600,000

Over the last three years, a number of Alberta hospitals have received a total of $13.6 million from the Alberta Lottery Fund to purchase advanced technology medical equipment. In 1992/93, a further $5 million will be committed to additional medical equipment purchases.

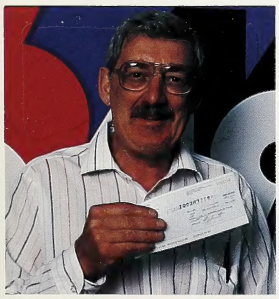
◄ A new Magnetic Resonance Imaging (MRI) scanner purchased with lottery funds, helps University of Alberta Hospitals medical staff diagnose neurological, cardiovascular and orthopaedic disease faster and with more certainty.



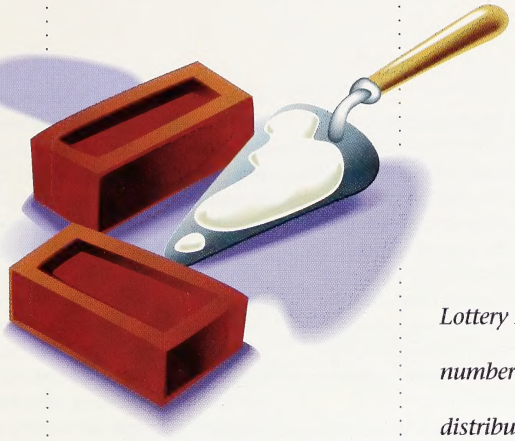
The addition of 100 new On-Line Retailers to the Retail Network, provided Alberta Lotteries with stronger front-line representation throughout Alberta. The introduction of On-Line Validation presented a new and efficient way to validate Instant tickets, allowing retailers to validate off-line tickets more quickly and accurately by utilizing a bar code reader on the ticket terminal.

$27,600,000

Approximately one third of this fiscal year's lottery proceeds was directed toward the Community Facility Enhancement Program, which accepted applications up to the fall of 1991. Through the three successful years of this program, a wide variety of non-profit and volunteer community groups throughout the province received matched grant lottery funding to upgrade, restore, renovate or develop community and family-use facilities, ranging from senior citizen's centres and social programming agency facilities to arenas and community halls. The program also benefitted the construction trades industry in Alberta, and allowed Albertans to have a direct positive impact in improving their local community facilities.



During 1991-92, Albertans claimed over $60 million in major prizes (prizes of $10,000 and over). Albertans like Larkin Ronan, a 65 year old retired construction worker from Edmonton who purchased an eight-number combination on Lotto 6/49 that was worth $10,028,711.80 when he claimed the May 22, 1991 Lotto 6/49 jackpot.



The Alberta Lottery Fund provides significant support to a variety of agricultural and rural development initiatives throughout Alberta.

The lottery-funded Recreation, Parks and Wildlife Foundation provides grants for innovative projects to develop and maintain recreation programs, parks, services and facilities, and to manage and conserve Alberta's fish and wildlife resources. The Foundation provides enrichment funding annually to 36 province-wide recreation associations and has also recently embarked on proactive programs relating to healthful living, such as the Alberta Centre for Well-Being, which carries out wellness research, including studies on health promotion techniques.

Alberta's share of revenues from lottery ticket sales in our province are placed in the Alberta Lottery Fund. Most of the funding goes to a number of "umbrella" lottery foundations that distribute lottery grants primarily to non-profit and volunteer groups at the community level, following a successful application and review process. From kids to seniors, from athletes to artists, writers and performers, the disabled, the environment, and the Alberta School Toxic Waste Roundup, the Lottery Fund continues to have a widespread and extremely positive impact on the quality of life in Alberta.

WHERE THE MONEY GOES

Following is the list of lottery funding provided for the fiscal year 1991/1992, as of April 1, 1992.

Alberta Foundation for the Arts	$ 9,115,400
Alberta Foundation for the Performing Arts	$ 4,461,450
Alberta Foundation for the Literary Arts	$ 658,242
Alberta Art Foundation	$ 1,393,908
Alberta Historical Resources Foundation	$ 2,850,000
Alberta Multiculturalism Commission	$ 2,475,000
Alberta Sport Council	$ 9,610,000
Recreation, Parks and Wildlife Foundation	$ 5,400,000
Calgary Exhibition and Stampede	$ 5,000,000
Edmonton Northlands	$ 5,000,000
Agricultural Exhibitions and Fairs	$ 6,650,000
Agricultural Initiatives	$ 4,212,482
Agricultural Societies Operating & Fair Grants	$ 2,949,430
Wild Rose Foundation	$ 5,000,000
Tourism Initiatives	$ 10,200,000
Community Facility Enhancement Program	$ 27,656,679
Western Heritage Centre	$ 2,000,000
Remington & Reynolds Museums	$ 2,197,500
Alberta Environmental Research Trust	$ 314,200
Municipal Anniversary Recognition Grants	$ 68,466
Advanced Medical Equipment Purchases	$ 5,000,000
Alberta Schools Hazardous Waste Removal	$ 1,000,000
Regional Libraries	$ 921,071
Science Alberta Foundation	$ 1,000,000
1994 Arctic Winter Games	$ 45,000
Total funding provided:	$115,178,828

To the Partners of the
Western Canada Lottery Alberta Division

We have audited the balance sheet of Western Canada Lottery Alberta Division as at March 31, 1992 and the statement of changes in financial position for the year then ended. We have also audited the statement of lottery operations in Alberta as derived from the financial statements of the Western Canada Lottery Corporation for the year ended March 31, 1992. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Western Canada Lottery Alberta Division as at March 31, 1992 and the changes in its financial position and the results of lottery operations in Alberta for the year then ended in accordance with generally accepted accounting principles.

Ernst & Young

Chartered Accountants
Edmonton, Canada
July 3, 1992

Balance Sheet

As at March 31

	1992	1991
Assets		
Current assets		
Cash	$ 305,832	$ 332,650
Term deposits [*note 4*]	179,496	180,504
Accounts receivable	104,834	613,655
Prepaid expenses, deposits and deferred costs	2,111,711	37,713
Total assets	$ 2,701,873	$ 1,164,522
Liabilities		
Current liabilities		
Accounts payable and accruals	$ 597,579	$ 320,913
Retailers' security deposits	132,568	128,704
Due to Western Canada Lottery Corporation	60,263	366,972
Contingencies [*note 5*]		
Excess of advances from Western Canada Lottery Corporation over net operating expenses [*note 6*]	1,911,463	347,933
Total liabilities	$ 2,701,873	$ 1,164,522

See accompanying notes

On behalf of the Board:

Director

Director

Statement of Changes in Financial Position

Year ended March 31

	1992	1991
Operating Activities		
Advances from the Western Canada Lottery Corporation	$ 11,175,000	$ 8,300,000
Net operating expenses [*schedule A*]	(9,611,470)	(8,627,797)
Changes in non-cash working capital balances:		
Accounts receivable	508,821	260,205
Prepaid expenses, deposits and deferred costs	(2,073,998)	15,102
Accounts payable and accruals	276,666	(52,650)
Retailers' security deposits	3,864	48,704
Due to Western Canada Lottery Corporation	(306,709)	187,283
Cash provided by (used in) operating activities	(27,826)	130,847
Net increase (decrease) in cash and term deposits during the year	(27,826)	130,847
Cash and term deposits, beginning of year	513,154	382,307
Cash and term deposits, end of year	$ 485,328	$ 513,154

See accompanying notes

Statement of Lottery Operations in Alberta

[note 2]

Year ended March 31

	1992	1991
Revenue		
Lotto 6/49 ticket sales	$176,381,586	$173,267,534
Instant ticket sales	57,555,790	60,138,293
The Plus ticket sales	30,654,597	24,920,368
Western Express ticket sales	14,546,672	15,234,160
Sport Select ticket sales	29,159,595	11,549,880
Provincial ticket sales	6,591,876	10,809,877
Pogo/Lotto 6/36 ticket sales	11,599,292	10,658,171
Special event ticket sales	4,495,536	5,944,191
Daily Deal ticket sales	1,931,923	2,541,568
	332,916,867	315,064,042
Direct Expenses		
Share of the cost of prizes, tickets, and administration	184,585,941	177,883,775
Retailer commissions	19,756,793	18,870,735
	204,342,734	196,754,510
Income from lottery operations in Alberta	128,574,133	118,309,532
Other income	2,813,880	3,927,310
Federal tax expense [*note 7*]	(3,073,196)	(785,173)
Income before the following:	128,314,817	121,451,669
Income from Video Lottery operations	3,099,310	
Payment to Federal Government [*note 7*]	(4,866,530)	(4,660,790)
Net operating expenses of the Western Canada Lottery Alberta Division [*schedule A*]	(9,611,470)	(8,627,797)
Net income from lottery operations in Alberta	$116,936,127	$108,163,082

See accompanying notes

SCHEDULE A

Net Operating Expenses

Year ended March 31

	1992	1991
Salaries and benefits	$ 3,696,585	$ 3,716,169
Advertising corporate and community relations	3,035,305	3,001,863
Travel	554,666	711,732
Capital asset purchases	483,808	62,819
Maintenance, utilities and rent	446,706	352,258
Goods and services tax	336,582	70,402
Professional fees	288,184	434,623
Courier delivery program	277,495	115,197
Postage and office supplies	180,712	186,600
Telephone and fax	156,657	115,770
Directors' meetings and expenses	80,858	58,615
Miscellaneous	55,033	49,004
Redemption expenses	41,685	28,722
Bad debt expense	37,835	9,529
Insurance and bonding	32,339	32,108
Special retailers	4,655	5,769
	9,709,105	8,951,180
Other (income) expense:		
Retailer service fees net of related expenses of $88,510 (1991 – $71,521)	(320,497)	(322,290)
Interest income	(29,759)	(69,410)
Federal tax expense [*note 7*]	307,026	70,402
Proceeds on sale of fixed assets	(2,605)	(2,085)
Ticket loss provision reduction	(51,800)	
Net operating expenses	$ 9,611,470	$ 8,627,797
Allocation of net operating expenses		
Provincial Marketing Organization	$ 4,886,859	$ 4,192,548
Program and Services Office	4,724,611	4,435,249
	$ 9,611,470	$ 8,627,797

See accompanying notes

March 31, 1992

1. Nature of the Partnership

The Alberta Division is a partnership of Edmonton Northlands and the Calgary Exhibition and Stampede Ltd., and is licensed to act as the Provincial Marketing Organization in Alberta under the authority of the Lottery License, as issued by the Minister of the Government of Alberta responsible for the Interprovincial Lottery Act. The partners do not directly receive any portion of the net proceeds from lottery schemes in Alberta but do receive amounts as beneficiaries from the Lottery Fund at the discretion of the Minister. All assets of the Partnership are owned by the Government of Alberta.

The Alberta Division acts as agent of the Government of Alberta which is a member of the Western Canada Lottery Corporation. The Corporation provides, without financial gain, in Manitoba, Saskatchewan and Alberta, services concerning the conduct, management and operation of lottery schemes.

The Lottery License requires the Corporation to conduct, manage and operate in Alberta as the agent of the Government of Alberta such lottery schemes as designated by the Minister. In the manner prescribed in the License, the Corporation distributes to the Lottery Fund the net proceeds arising from the sale of authorized lottery products in Alberta.

The Alberta Division has additionally agreed to provide facilities, personnel and resources to the Minister responsible for Lotteries to fulfill requirements for administering the Interprovincial Lottery Act and the Lottery Fund. These functions are administered by the Program and Services Office.

2. Statement of Lottery Operations in Alberta

The statement of lottery operations in Alberta is derived from the financial statements of the Western Canada Lottery Corporation. It reflects total lottery ticket sales in Alberta and the direct expenses related thereto such as the cost of prizes, tickets, administration and distribution. Net operating expenses represent the costs incurred by the Alberta Division in its capacity as Provincial Marketing Organization together with other costs relating to the conduct of its business, less interest income, retailer licensing fees and other income as well as costs incurred to provide facilities, personnel and resources to the Program and Services Office.

3. Significant Accounting Policies

a) The cost of capital assets acquired is charged to operations. No charge for depreciation is recorded. During the year the Alberta Division acquired capital assets in the amount of $483,808 (1991 – $62,819).

b) These financial statements do not include any assets, liabilities, revenues and expenses of the partners.

4. Term Deposits

Term deposits include $127,696 (1991 – $128,704) representing security deposits received from retailers. This amount is available to the Alberta Division should the retailers default on ticket payments.

5. Contingencies

The Alberta Division is contingently liable for lottery ticket inventory held on behalf of the Western Canada Lottery Corporation. At March 31, 1992, the Division held lottery tickets with a retail value of $2,249,058. At March 31, 1991 sales representatives of the Alberta division held lottery tickets with a retail value of $574,458.

6. Excess of Advances from Western Canada Lottery Corporation Over Net Operating Expenses

This account represents advances from the Western Canada Lottery Corporation less net operating expenses.

	1992	1991
Balance, beginning of year	**$ 347,933**	$ 675,730
Advances from the Western Canada Lottery Corporation	**11,175,000**	8,300,000
Net operating expenses [schedule A]	**(9,611,470)**	(8,627,797)
Balance, end of year	**$ 1,911,463**	$ 347,933

7. Federal Payments and Taxes

a) *Federal tax expense*

Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on lottery ticket sales based on a formula prescribed by legislation. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

b) *Payment to Federal Government*

This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Federal Government on the withdrawal of the Federal Government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta and is based on current population statistics and its share of lottery ticket sales.

8. Commitments

The Alberta Division is committed to total minimum lease payments of approximately $1,693,438 under operating leases over the next five years as follows: 1993 – $617,825; 1994 – $586,436; 1995 – $382,909; 1996 – $106,268; 1997 – $nil.

9. Subsequent Events

a) *Lottery License*

Effective April 1, 1992 the Alberta Division was granted a license to conduct, manage and operate a video lottery scheme to be known as "Video Lottery" and such other lottery schemes as may be designated by the Minister. The Government of Alberta has indemnified the Alberta Division for the expenses or financial obligations related to the conduct, management and operations of lottery schemes designated by the Minister.

b) *Statement of claim*

A statement of claim has been filed by various amusement game operators against Western Canada Lottery Alberta Division, Western Canada Lottery Corporation and other parties claiming approximately $23,000,000 in compensation for their alleged proprietary right to their respective portions of the coin operated amusement industry in Alberta. The loss, if any, relating to this claim is not yet determinable.

c) *Lottery equipment*

Subsequent to March 31, 1992, the Alberta Division entered into contractual arrangements for the supply of equipment for video lottery operations amounting to approximately $17.6 million.

10. Comparative Amounts

Certain 1991 amounts have been reclassified for purposes of comparison.

The provincial government of Alberta is a member of the Western Canada Lottery Corporation, along with the governments of Manitoba and Saskatchewan. The Yukon Territory and the Northwest Territories participate within the Corporation as associate members. To assist the Corporation with the conduct and management of lottery operations in Western Canada, each provincial/territorial jurisdiction has appointed a provincial lottery organization. Alberta's lottery organization is the Western Canada Lottery Alberta Division, known as "Alberta Lotteries".

For more information

Alberta Lotteries and Gaming
Program and Services Office
1400, 10130 - 103 Street
Edmonton, Alberta
T5J 3R2

Alberta Lotteries Provincial
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